



May 15, 2008

Thomasenia P. Duncan, Esq.
General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

Re: MUR 5998

Dear Ms. Duncan:

Please find enclosed a response to the April 22, 2008 complaint filed by Judicial Watch, which we received on May 3, 2008. This Response is filed jointly on behalf of Senator John McCain and John McCain 2008, Inc. (Joseph Schmuckler, Treasurer).

Should you have any questions concerning this Response, please feel free to contact either me or Todd Steggerda, Chief Counsel to John McCain 2008.

Sincerely,

Trevor Potter
General Counsel
John McCain 2008

cc: Joseph Schmuckler, Treasurer

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FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

2008 MAY 16 A 11:01

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**RESPONSE OF JOHN MCCAIN AND JOHN MCCAIN 2008, JOSEPH SCHMUCKLER
AS TREASURER, TO COMPLAINT IN MATTER UNDER REVIEW 5998**

INTRODUCTION

The complaint filed by Judicial Watch and assigned Matter Under Review #5998 ("Complainr") is incorrect in its claim that John McCain 2008 ("Campaign") received an in-kind contribution from Lord Rothschild and the Hon. Nathaniel Rothschild ("the Rothschilds") in the form of the unpaid use of Spencer House for a Campaign fundraiser held in London, England for U.S. citizens living overseas on March 20, 2008. In fact, Spencer House is a facility available for public hire, and the Campaign paid the full usual and normal charge for the fundraiser, including facility rental, catering, and all related charges. As explained below, the Rothschilds did not make an in-kind contribution to the Campaign, nor were they improperly involved in the decision-making and management of the campaign. Because the Complaint inaccurately describes the events in question and no violation of the law occurred, we respectfully request that the Commission dismiss the Complaint and take no further action in this matter.

STATEMENT OF FACTS

United States Senator John McCain is a candidate for the office of President of the United States. His principal campaign committee is John McCain 2008, Inc. (Joseph R. Schmuckler, Treasurer).

On March 20, 2008, the Campaign held a fundraiser at Spencer House in London, England.¹ Spencer House regularly rents out its facilities for meetings, meals, and receptions.²

The Campaign has paid the usual and normal rates charged by the Spencer House for use of the venue and catering costs. On April 29, 2008, Spencer House sent an invoice to the Campaign for a total of £27,497.64 (approximately \$55,377.50), along with a letter explaining that the invoice had been delayed several weeks because the Spencer House staff had to determine whether it was necessary to add the U.K. Value Added Tax to the account since the Campaign is located in the United States. Once the staff determined that the tax must be paid, the tax was added to the bill and the invoice was sent to the Campaign.³

The Campaign transferred £27,497.64, the full amount of the event invoice, to Spencer House on May 5, 2008, six days after the Campaign had received the invoice, via wire transfer.⁴ This disbursement will be recorded on the Campaign's May Commission report.

Lord Rothschild is a major shareholder and the Chairman of RIT Capital Partners.⁵ The Hon. Nathaniel Rothschild is also a major shareholder and a director of RIT Capital Partners.⁶ RIT Capital Partners holds the long-term leasehold interest in Spencer House.⁷

¹ London Spencer House Campaign Invitation (attached hereto as Exhibit 1).

² London Spencer House Website (attached hereto as Exhibit 2).

³ Spencer House Venue and Catering Invoice (April 29, 2008) (attached hereto as Exhibit 3).

⁴ Campaign Wire Transfer to Spencer House (May 5, 2008) (attached hereto as Exhibit 4).

ARGUMENT

1. John McCain 2008 did not receive an in-kind contribution for use of the Spencer House venue.

The Complaint alleges that the Rothschilds, who are both British citizens, made an illegal in-kind contribution to the Campaign in connection with the March 20, 2008 fundraiser at Spencer House. Federal election law prohibits a foreign national from directly or indirectly making a contribution, either monetary or in-kind, in connection with a Federal, State, or local election.⁸

As noted above, the campaign received no in-kind contribution in relation to the Spencer House fundraiser. The Campaign paid Spencer House (a vendor) the full usual and normal rates charged for catering and other costs within a commercially reasonable time after the fundraiser, as evidenced by the invoice and electronic bank transfer provided as Exhibits 3 and 4, respectively.

2. Lord Rothschild and Hon. Nathaniel Rothschild did not direct decisions involving John McCain 2008 election-related activities.

The complaint alleges that if the Rothschilds made an in-kind contribution to the Campaign by paying for the Spencer House venue, they and the Campaign may have violated the federal election law prohibition on foreign nationals participating in campaign decision-making.

The Complaint included a copy of an invitation to the Spencer House fundraiser which states that the fundraising luncheon "will be held at Spencer House" by "kind permission of Lord Rothschild OM GBE and the Hon. Nathaniel Rothschild." The Judicial Watch complaint implies that this language indicates that the prohibition on foreign nationals participating in campaign decision-making was violated.

Commission regulations prohibit foreign nationals from participating in decisions involving election-related activities.⁹ Prohibited participation includes directing, dictating, controlling, or directly or indirectly participating "in the decision-making process of any person, such as a corporation, labor organization, political committee, or political organization with regard to such person's Federal or non-Federal election-related activities, such as decisions concerning the making of contributions, donations, expenditures, or disbursements in connection with elections for any Federal, State, or local office or decisions concerning the administration of a political committee."¹⁰ This prohibition encompasses foreign national involvement in the management and decision-making of a political committee.¹¹

⁸ RIT Capital Partners plc, *Annual Report and Accounts* at 13, 16 (March 31, 2007) (attached hereto as Exhibit 5).

⁹ *Id.*

¹⁰ *Id.* at 12.

¹¹ 2 U.S.C. 441e(a)(1)(A); 11 CFR 110.20(b).

¹² See 11 CFR 110.20(i).

¹³ *Id.* See also Fed. Elec. Comm'n Adv. Op. 2004-26.

¹⁴ See Explanation and Justification for Regulations on Contribution Limitations and Prohibitions, 67 Fed. Reg. 69946 (Nov. 19, 2002).

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However, the Commission has stated that a foreign national may work as an uncompensated volunteer and take part in federal campaign committee activities such as attending committee events, rallies, debates, and fundraisers.¹² The Commission has further determined that foreign nationals working as uncompensated volunteers may solicit funds from persons who are not foreign nationals, give speeches at campaign events, and attend political strategy meetings as long as they refrain from involvement in the management and decision-making of the campaign.¹³

The invitation the Campaign mailed for the event is attached as Exhibit 1. The attached document was the official invitation for the event, and the only invitation the Campaign has on file for the Spencer House Fundraiser. This official invitation makes no mention of the Rothschilds.¹⁴ We assume the invitation mentioning the Rothschilds that was attached to the Complaint was produced by the Campaign's London Fundraising Consultant. Caroline Chadd, listed as the RSVP contact on the invitation submitted with the Complaint, is employed by that consultant. The invitation's thanking of the Rothschilds for their "kind permission" was merely a phrase of courtesy extended to two prominent persons whose company owned Spencer House and who attended the fundraiser as guests of the campaign, and (as explained above) does not mean that the Rothschilds paid any costs for the event.

Further, the decision to hold the March 20, 2008 fundraising event at Spencer House was made by agents of the Campaign. Decision-making authority in relation to the event was held by Campaign agents and not by the Rothschilds.

CONCLUSION

As explained above, the assertions made in the Complaint are inaccurate. The full usual and normal rates for the Spencer House fundraising venue, catering, and various event costs were paid by the Campaign, as evidenced by attached Exhibits 3 and 4. Therefore, the Rothschilds did not make an in-kind contribution to John McCain 2008 as the Complaint claims. Furthermore, the Rothschilds were not improperly involved in the decision-making or management of the Spencer House fundraising event.

Given these facts, the Complaint is insufficient to state a violation. We respectfully request that the Commission dismiss the Complaint and take no further action in this matter.

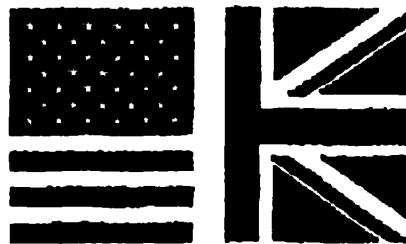
¹² See Fed. Elec. Comm'n Adv. Op. 2004-26.

¹³ *Id.*

¹⁴ London Spencer House Campaign Invitation (Exhibit 1).

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EXHIBIT 1



★
McCain

JOHNMcCAIN.COM

Requests the pleasure of your company
to a special luncheon in honour of

★ **SENATOR JOHN McCAIN** ★

on Thursday 20 March 2008
12:30 - 3:00 pm

Central London Venue

Dress: Lounge Suits

Individual Tickets \$1,000-\$2,300
strictly by invitation



RSVP

Caroline Chadd +44 (0)20 7100 6683
info@08mccain.com

WWW.JOHNMcCAIN.COM

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REPLY FORM ★ LONDON LUNCHEON

Thursday, March 20, 2008 12:30 – 3:00 pm

To make your reservation or contribute, please complete this form and post/email to:
Caroline Chadd, McCain Lunch, Battersea Studios, 80 Silverthorne Road, LONDON SW8 3HE
Phone: +44 (0)20 7100 6683 E-mail: info@08mccain.com

☐ Yes, I would like to attend the Luncheon with Senator McCain. Confirmation details will be sent.

☐ Please reserve _____ Ticket(s) at \$2,500 each Please reserve _____ Ticket(s) at \$1,000 each

Name: _____ Spouse/Guest: _____

☐ Unfortunately, I am unable to participate but am enclosing a contribution in the amount of:

☐ \$4,000 per couple ☐ \$2,500 ☐ \$1,000 ☐ Other \$ _____

This contribution was referred by:
Please make checks payable to: John McCain 2008

To contribute by personal credit card, please complete the following:

Please check one: ☐ Visa ☐ MasterCard ☐ American Express ☐ Discover

Name on card: _____ Signature: _____ Amount: _____

Card Number: _____ Expiration Date: _____ Security Code: _____

☐ My signature verifies that this contribution represents my personal funds and is not drawn on an account maintained by an incorporated entity or other prohibited source.

Signature of Contributor: _____

ALL CONTRIBUTORS MUST SUBMIT A COPY OF A VALID AND CURRENT U.S. PASSPORT THAT PROVES U.S. CITIZENSHIP OR PERMANENT RESIDENCY STATUS. ALL CONTRIBUTORS MUST COMPLETE THE FOLLOWING INFORMATION.*

Full Name: _____

Employer: _____ Occupation: _____

If this is a joint contribution, fill in the following information about your spouse:

Spouse's Name: _____

Spouse's Signature: _____

Spouse's Employer: _____ Spouse's Occupation: _____

Address: _____ City: _____

State: _____ Zip: _____ Home Phone: _____ Office Phone: _____

E-Mail: _____ Mobile Phone: _____

Contributions are not deductible as charitable contributions for federal income tax purposes.*US Federal election law requires us to report the name, address, occupation and employer for contributions aggregating in excess of \$200 in an election cycle. For the primary election, individuals may contribute up to \$2,500, and couples may contribute up to \$4,000. Federal PACs may contribute \$5,000 for each election. Contributions from corporations, labor unions, federal government contractor, national banks, and foreign nationals without permanent residence are prohibited.

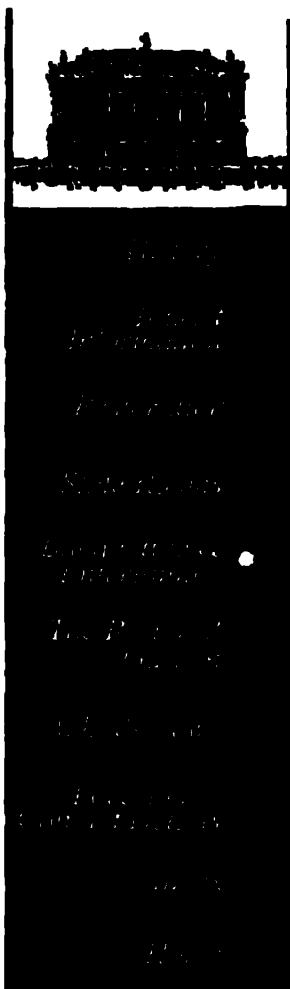
Paid for by John McCain 2008

www.johnmccain.com

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EXHIBIT 2



Spencer House

- ▼ Past Events
- ▼ Corporate Clients
- ▼ Capacities



Spencer House was built in 1755-66 for John, first Earl Spencer, an ancestor of Diana, Princess of Wales (1961-97). Situated in the heart of St James's, Spencer House is a short distance from St James's Palace, Buckingham Palace and the Palace of Westminster, and has a splendid terrace and garden with magnificent views of Green Park.

Spencer House is available as one of the most beautiful and stunning settings in London to entertain. Each client has the exclusive use of the House in its entirety, whatever the size or scale of the occasion.

The state rooms have been restored to their former splendour of their late eighteenth-century appearance and are decorated with distinguished paintings and furniture, providing a magnificent setting for luncheons, dinners, receptions and meetings.

The eight state rooms available for hire provide an elegant backdrop for civil weddings, wedding receptions, musical evenings, lectures and press presentations. Receptions can be held for up to 450 guests, 500 if using the terrace, while seated lunches and dinners can be accommodated for any number from 2-138. Theatre style meetings can also be held, up to a maximum of 100 guests.

Spencer House offers a complete service, all administration and catering is handled in-house including printing of invitations and menu cards, organising flowers, music and other entertainments as required. The kitchens at Spencer House are staffed by full-time expert chefs, who will devise each menu to suit the host's requirements - there are no set menus. The resident Chef, Steve Lattimer, who was Head Chef at the Garrick for nine years, is partnered by Vincent O'Toole, gold medal-winning Pastry Chef.

Spencer House was described in the nineteenth-century as "*the rallying point of social and political activity*" a tradition which is now continued in the many and varied entertainments that take place there today. The House is available for a limited number of diplomatic, private and corporate events each year.

Past Events

Many notable events have been held at Spencer House since its opening in 1990. Perhaps most famously, the historic dinner for Her Majesty the Queen to celebrate the fortieth anniversary of her accession to the throne was held at Spencer House in 1992, hosted by her Prime Ministers past and present. State banquets have also been held for Her Majesty by the President of Israel (1997); and the King and Queen of the Hashemite Kingdom of Jordan (2001).

Other events held at the House over the past fifteen years include a reception to launch the new face of 'Yardley'; a celebratory party for the New York jewellers Verdura, to mark ten years in London; a party to mark the opening of Milmoto's first London shop; a reception held by CTE (Carlton) Limited, to launch the television drama Emma; a party held by Polygram and NCH Action for Children following the premiere of the film 'Portrait of a Lady'; an event held by Tom Ford and a party given by Polo Ralph Lauren to launch the Wimbledon designs collection.

A number of charities have held events at Spencer House including the NSPCC, Wheelpower, Barnardo's, Crusaid, The Prostate Research Campaign UK, The Royal Academy of Dance, The Princess Royal Trust for Carers and the Friends of The Royal Marsden Hospital, amongst others.

Corporate Clients

Spencer House makes a magnificent and historic setting whether for breakfast meetings, lunches, cocktail receptions, dinners or contract signings. Many well-known national and international companies have entertained at Spencer House, including Mastercard, Deutsche Bank AG London, Morgan Stanley & Co Ltd, Credit Suisse First Boston, Schroders and British Telecom; as well as individuals and entrepreneurs.

Capacities

The following capacities apply for luncheons and dinners:

1. The Dining Room accommodates up to 24 guests at one table and is an ideal setting for concerts or chamber performances of opera.
2. The Music Room accommodates up to 24 guests at banqueting tables and may be used for small luncheons and dinners or as a meeting room.
3. Lady Spencer's Room accommodates up to 36 guests at banqueting tables and is the first of the three great reception rooms overlooking Green Park.
4. The Great Room accommodates up to 40 guests at one table and up to 90 guests at banqueting tables and is one of the most spectacular reception rooms in London. It is often used in conjunction with both the Music Room and Lady Spencer's Room for larger dinners.

Charity events can be held at Spencer House.

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Please note that Spencer House is closed every January and August for refurbishment.

For further information, an appointment or private view telephone the Banqueting Department on 020 7514 1984 or write to:

**The Banqueting Administrator Spencer House
27 St James's Place
London
SW1A 1NR**

to the top



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EXHIBIT 3

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SPENCER HOUSE

**Ms Morgan MacDonald
John McCain 2008
1235 South Clark Street
Suite M
Arlington
VA 22202**

2nd May 2008

Dear Ms MacDonald

Please find attached the account from Spencer House for the luncheon held for the McCain 2008 campaign here on March 20th 2008.

The delay in the sending of this account has been due to the fact that we have had to ascertain the validity of adding Value Added Tax to the account as you are in the United States. Having consulted our advisors I regret to confirm we do have to add the tax levied at 17.5%.

You had agreed at the outset of our discussions to pay for all the charges for this luncheon and whilst the time lapse in forwarding the account has proved unfortunate, I trust this has not caused any undue problems.

With kind regards

Chris Stallworthy

**Chris Stallworthy
Events Director**



SPENCER HOUSE

INVOICE NO 3717A

29 April 2008

Ms Morgan MacDonald
John McCain 2008
1235 South Clark Street
Suite M
Arlington
VA 22202

To entering at Spencer House on March 20th 2008

Description	Units	Price per Unit	Final Price
Luncheon Menu	126	£95.00	£11,970.00
Facility Fee			£5,000.00
Decorations & Sundries			£4,474.75
Beverages			£1,807.50
Sandwiches (staff + security)			£150.00
Sub-total			£ 23,402.25
VAT @ 17.5%			£4,095.39
TOTAL			£27,497.64

VAT NO _____

55 377.50
US \$ ~~64,711.23~~

SPENCER HOUSE LIMITED
Registered Office: 37 St. James's Place London SW1A 1NR
Telephone: +44 (0)20 7514 1964 Facsimile: 020 7409 2952
www.spencerhouse.co.uk
Registered in England (No. 2182152)

EXHIBIT 4

Sal Purpura

To: Maria Acosta
Subject: RE: Wire confirmation

From: Rochelle McCollum
Sent: Monday, May 05, 2008 3:04 PM
To: Maria Acosta
Subject: wire confirmation

Top of Form

Created By : Rochelle McCollum on 05/05/08 1:08 PM
Last Updated By :
Authorized By : Markella Burke on 05/05/08 2:15 PM
Status : Processed
OFAC State :
Completed :
Pending Changes :

Trade Reference Number : F081260180
TBS Account Number : [REDACTED] - Fidelity & Trust Bank
Bank Name : Fidelity & Trust Bank
Product : [Sell Wires/Drafts to Customer V]
Foreign Amount: Pound Sterling - GBP 27,487.84
Exchange Rate : 2.013600
USD Equivalent : 555,377.80

Processing Fee : 80.00

Shipping Fee :

Total Cost : 555,377.80

Ordering Customer Name : JOHN MCCAIN 2008 INC
Ordering Customer ID Type : AC - Account Number
Ordering Customer ID Number : [REDACTED]
Ordering Customer Address : 1235 SOUTH CLAKE ST
ARLINGTON, VA 22202

Intermediary Bank Name :
Intermediary Bank SWIFT/BIC :
Intermediary Bank Party ID :
Intermediary Bank Address :

Intermediary Bank Country :

Beneficiary Bank Name : LLOYDS BANK
Beneficiary Bank SWIFT/BIC : LOYDGB2L
Beneficiary Bank Party ID :
Beneficiary Bank Address :
Beneficiary Bank Country : LONDON
United Kingdom - GB

Beneficiary Name : SPENCER HOUSE LIMITED
Beneficiary Account :
Beneficiary Address : 27 ST JAMES PLACE
LONDON SW1A1NR
Beneficiary Country : United Kingdom - GB

JOHN MCGAIN 2008
IBAN
SORT CODE 30.00.02
VAT NUMBER

Transaction Name :

Save As Template
Template Name :

Bottom of Form

Rochelle L. Nichols
Supervisor Deposit Operations
Fidelity and Trust Bank
4831 Cordell Avenue
Bethesda, MD 20814
Phone 240-497-2842
Fax 301-457-8512
RMccollum@Fidelityandtrust.com

Details for Clients Wishing to Pay by
Bank Transfer or Swift

Payable to Spencer House Limited – in Sterling Only

**Lloyds Bank
PO Box 72
Bailey Drive
Gillingham Business Park
Kent ME8 0LS**

Swift Identification Code:	LOYDGB2L(CTY)
Account Number:	00256329
IBAN Number:	GB43 LOYD XXXXXXXXXXXX
Sort Code:	30.00.02
VAT Number:	XXXXXXXXXX

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EXHIBIT 5

RIT Capital Partners plc

Annual Report and Accounts 31 March 2009

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RIT Capital Partners plc

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Company Registration Number 2119188

Review of Principal Investments

QUOTED INVESTMENTS

At 31 March 2007 RITCP held £1,069.0 million of quoted investments, amounting to 57.6% of the portfolio. Details of the five largest holdings in the quoted portfolio are set out below.

PayPoint

VALUATION AT 31 MARCH 2007: £48.3 MILLION
(COST: £9.3 MILLION)

RITCP acquired its interest in PayPoint in 1999 when it was a private company. PayPoint owns and operates a network of electronic terminals in 17,500 shops throughout the UK and Ireland, which allow consumers to execute transactions, including the payment of household bills and the "topping-up" of credit onto pre-pay mobile telephones.

Since the company was floated in September 2004, its share price has increased by 244%. RITCP currently owns 10.8% of the company.

In the year to 31 March 2007 the company made pre-tax profits of £26.6 million on revenues of £157 million. This compares with the results for the year to 31 March 1999 (when RITCP made its investment), in which the company made a pre-tax loss of £15.5 million on revenues of £6.2 million.

ConocoPhillips

VALUATION AT 31 MARCH 2007: £41.8 MILLION
(COST: £42.6 MILLION)

ConocoPhillips is one of the world's largest integrated oil and gas producers. Operating in 40 countries worldwide, it has interests in oil and gas exploration and production, refining, chemicals and plastics. Excluding state-owned entities, it is the sixth-largest in terms of proven reserves and is the fifth-largest refiner in the world. In the year to 31 December 2006 the company had revenues of \$188.5 billion and net income of \$15.5 billion.

ABN Amro

VALUATION AT 31 MARCH 2007: £29.2 MILLION
(COST: £20.8 MILLION)

ABN Amro is a globally diversified Dutch bank. In terms of assets it ranks 8th in Europe and 13th in the world. The company's business lines embrace personal and private banking, commercial banking, and corporate and institutional banking. In the year to 31 December 2006 net profit was Eur 4.78 billion. At the time of writing ABN Amro is subject to competing takeover bids: one from Barclays and one from a consortium comprising Royal Bank of Scotland, Fortis and Banco Santander.

World Trust Fund

VALUATION AT 31 MARCH 2007: £15.9 MILLION
(COST: £17.7 MILLION)

The World Trust Fund is a closed-end investment company which invests internationally in other closed-end funds and investment trusts. The fund is managed by Lazard Asset Management and has an outstanding long-term performance record. RITCP has a 19% interest in the fund, which had net assets of £151 million at 31 March 2007. The majority of this interest was acquired in June 2005.

StreetTracks Gold Trust

VALUATION AT 31 MARCH 2007: £13.1 MILLION
(COST: £12.6 MILLION)

StreetTracks Gold Trust is a US based Exchange Traded Fund which gives exposure to the price of gold bullion by holdings of physical gold. The Trust provides a liquid and cost effective way of gaining exposure to the bullion price. As at 31 March 2007 the Trust had total assets of \$8.3 billion.

HEDGE AND LONG EQUITY FUNDS

Tontine Capital Partners

VALUATION AT 31 MARCH 2007: £39.4 MILLION
(COST: £31.3 MILLION)

Tontine Capital Partners ("TCP") is managed by Jeff Gendell, a US based value investor, who also manages a segregated account for RJTCP with a value of £57.6 million.

TCP's focus is to invest in undervalued companies which are too small to be of interest to Wall Street, hedge funds or private equity firms. Its investments are generally acquired on a long-term view and sometimes involve structured transactions. RJTCP made an investment of £21.2 million in this partnership in three tranches between October 2004 and December 2005.

Articus Global

VALUATION AT 31 MARCH 2007: £35.7 MILLION
(COST: £17.3 MILLION)

Articus Global is a hedge fund which invests primarily in event-driven, arbitrage and longer-term value-oriented situations. RJTCP made an investment of £21.1 million in this fund in December 2000 and redeemed part of its holding in July 2004.

Parvus European Opportunities

VALUATION AT 31 MARCH 2007: £33.0 MILLION
(COST: £11.3 MILLION)

Parvus European Opportunities is managed by Riccardo Mercadante, a London-based specialist in European equities. RJTCP made an investment of £11.2 million in the fund in October 2004. RJTCP also has an investment of £9.3 million in Parvus European Absolute Opportunities, a hedge fund managed by Mr. Mercadante.

UNQUOTED INVESTMENTS

The valuations of unquoted investments are reviewed twice a year by a valuation committee which is chaired by a non-executive Director, the latter review being at 31 March 2007. However, if circumstances warrant, valuations are amended between these dates. Unquoted investments are initially valued at cost. Where a third party transaction has taken place, the implied value may be used as the basis of valuation, applying a discount (if appropriate) and taking into account the scale of the transaction and whether or not new money was raised. Where an investment is showing a trend of encouraging performance and the committee believes it to be undervalued, it may be revalued by reference to comparable listed companies, but applying an appropriate discount to take account of lack of marketability. Where an investment is showing poorer than expected performance, it may be valued downwards by reference to its latest accounts and its current trading performance. Each investment is reviewed on its own merits and therefore no predetermined valuation formula applies.

At 31 March 2007 RJTCP held £376.3 million of unquoted investments, amounting to 14.9% of the portfolio. The two largest investments, which account for £81.4 million, are summarised below. No dividends were received from these investments.

Harbourmaster

VALUATION AT 31 MARCH 2007: £41.6 MILLION
(COST: £10.2 MILLION)

Harbourmaster acts as a manager of collateralised debt/loan obligations. The company employs a specialist team of portfolio managers dedicated to analysing and monitoring senior secured loan participations and asset backed securities.

RJTCP acquired a 24.6% interest in Harbourmaster in April 2005 at a cost of £10.2 million. The company has performed well since that interest was acquired and its assets under management have increased by 69% during the year ended 31 December 2006 to £3.9 billion. During that year, Harbourmaster made profits of £17.6 million compared with £11.1 million for the previous year. As a result of the company's continuing good performance, RJTCP increased the valuation of the investment to £41.6 million at 31 March 2007.

Robin Hood Holdings

**VALUATION AT 31 MARCH 2007: £19.8 MILLION
(COST: £19.1 MILLION)**

Robin Hood Holdings is the holding company for the Arrow Group which manufactures and sells generic pharmaceuticals in the UK, France, Scandinavia, Germany, Canada, USA, Australia, New Zealand and elsewhere. RITCP invested £23.5 million between July 2003 and August 2005 in a mixture of debt and equity, and currently owns 8.5% of the company. The company repaid some of its loan notes during the year.

All of the companies in the group are majority owned other than an interest held in its former associated company, Sigma, which is listed on the Australian stock exchange. During the year the company sold approximately 40% of its holding in Sigma and received proceeds of \$45 million. The market value of the remaining holding in Sigma amounted to \$77 million as at 31 March 2007.

Prior to the formation of Robin Hood, the same management team ran Amerpharm, which also manufactured generic pharmaceuticals. RITCP invested £9.3 million in Amerpharm in 1989 and received proceeds of £68.7 million when it was sold in 1995.

The group continues to show strong growth in revenues and the benefits of the recent substantial investment in research and development are now becoming evident; a significant collaboration between Robin Hood and the US company, King Pharmaceuticals, was announced in February last year to market the heart drug Ramipril and this has contributed to this year's profit. During the year ended 31 December 2006, after taking account of expenditure on research and development, the group made profits of £15.9 million. The group had share capital and reserves at that date of £74.9 million.

PROPERTY

**Spencer House and other Properties in
St James's Place, London**

**VALUATION AT 31 MARCH 2007: £34.8 MILLION
(COST: £28.1 MILLION)**

The properties are 12,13,15 and Spencer House, 27 St James's Place. They were professionally valued by Jones Lang LaSalle as at 31 March 2007 at open market value, on an existing use basis.

Spencer House is an 18th Century Grade I listed building overlooking Green Park. The principal State Rooms have been restored and the rest of the building has been converted into office accommodation. RITCP holds a 96 year lease that began on 25 December 1986 (with an option to renew for a further 24 years) at an annual rent of £85,000. St James's Place Administration Limited (a subsidiary of St James's Place Capital plc) leases the building from RITCP at an annual rent of £1.15 million, the lease expiring in the year 2013. RITCP operates a banqueting business for private and corporate clients which is based in the main State Rooms. These rooms are open to the public for guided tours on most Sundays.

The Company owns the freehold of 12 and 13 St James's Place which are let on a full repairing and insuring lease to Global Asset Management (UK) Limited for 25 years from 25 December 1984 with five-year upward only rent reviews. The current annual rent from these properties is £270,000.

In addition, RITCP also owns the freehold of 15 St James's Place, the majority of which is let under short-term arrangements.

The future minimum rental payments receivable under non-cancellable leases are as follows:

	31 March 2007	
	Group £ million	Company £ million
Within one year	2.0	1.5
Between two and five years	6.6	5.3
Beyond five years	7.0	2.3
	15.6	9.1
	31 March 2006	
	Group £ million	Company £ million
Within one year	2.8	2.1
Between two and five years	7.3	5.6
Beyond five years	10.1	3.7
	20.2	11.4

Board of Directors

EXECUTIVE DIRECTORS

THE LORD ROTHSCHILD, OM CBE

Aged 71, he is Chairman of the Company's Board of Directors and the Nominations Committee. He is also the Deputy Chairman and senior non-executive director of British Sky Broadcasting Group plc, and a non-executive director of RHI International.

Lord Rothschild began his career at N M Rothschild & Sons, where he subsequently ran the corporate finance department and became chairman of the executive committee. He left N M Rothschild & Sons in 1980 to develop RIT plc, a forerunner of RIT Capital Partners plc, and his interests in the financial sector. In addition to his career in finance, he has been involved in public service, including the arts and heritage fields, and philanthropy.

DUNCAN BUDGE

Aged 51, he was appointed an executive Director and Chief Operating Officer of the Company in 1995. He has been a director of J. Rothschild Capital Management Limited, a wholly-owned subsidiary of RIT Capital Partners plc, since 1988 and has represented the Company on the boards of a number of its investments. Prior to this, he spent six years with Lazard Brothers & Co Ltd.

DAVID HAYSEY

David Haysey, 50, was appointed as Chief Investment Officer in August 2005 and as an executive Director of the Company in December 2005. Prior to joining RIT Capital Partners plc, he held senior positions at S.G. Warburg Securities and most recently at Deutsche Asset Management.

NON-EXECUTIVE DIRECTORS (NON-INDEPENDENT)

MIKAEL BREUER-WEIL

Aged 43, he was appointed a non-executive Director in 1998. Since 1994 he has been the principal investment adviser to philanthropic foundations connected with Lord Rothschild's family interests. Prior to this, he spent eight years at Mercury Asset Management Group plc as an investment manager, including a period of secondment to Odyssey Partners L.P. in New York.

NATHANIEL ROTHSCHILD

Aged 35, Mr Rothschild was appointed as a non-executive Director in 2004. He is the Co-chairman of Arctus Capital LP, a US based investment manager. Mr Rothschild joined Arctus in 1996. Prior to that he was an analyst in the mergers and acquisitions department at Gluscher & Co, a New York based investment bank.

Mr Rothschild is a member of the Belfer Center's International Council at Harvard's John F. Kennedy School of Government and the International Advisory Council of the Brookings Institute. He is a member of the International Advisory Board of the Barrick Gold Corporation. He was nominated as a "Young Global Leader" by the World Economic Forum in 2005.

Mr Rothschild has appointed Timothy Barakett as his Alternate Director. Mr Barakett is a Co-Chairman and an owner of Arctus Capital LP.

MICHAEL SOPAER

Aged 49, he was appointed a non-executive Director in 1999. He has been Managing Director and Principal of Solfer Capital Inc. ("SCI") since its inception in 1986. He began his investment career as a securities analyst with Schroders in London before establishing the research department for Schroders Asia in Hong Kong, where he also managed two unit trusts. He founded First Pacific Fund Management in Hong Kong in 1983, where he pioneered hedged investing in Asia. SCI now manages eight hedge funds and three private equity funds.

NON-EXECUTIVE DIRECTORS (INDEPENDENT)

CHARLES BAILEY

Aged 73, he is a chartered accountant and was appointed a non-executive Director in 1988. He is the Senior Independent Director and Chairman of the Audit, Remuneration and Conflicts, and Valuation Committees, as well as a member of the Nominations Committee. He is also a director of General Oriental Investments Limited, Antofagasta plc, and Azium Underwriting plc and is a member of the audit committees of those companies.

JOHN ELKANN

Aged 51, Mr Elkann was appointed as a non-executive Director in March 2007. He is Vice-Chairman of Fiat Group and IFIL Investment SpA, Chairman of Itedi (publisher of La Stampa), a director of RCS Mediagroup and Banca Leonardo. Mr Elkann is a graduate of the Politecnico University in Turin.

CHRISTOPHER HOHN

Mr Hohn, 40, was appointed as a non-executive Director in 2005. He is the founder and Senior Partner of The Children's Investment Fund Management (UK) LLP, which he founded in 2003. He was formerly the portfolio manager leading the European event-driven investment strategy at Perry Capital, which he joined in 1996. Mr Hohn started his career with Coopers & Lybrand as a manager in the corporate finance division in 1989, prior to obtaining an MBA at Harvard Business School with high distinction. He then worked with Apex Partners from 1994 to 1995 prior to joining Perry Capital.

Mr Hohn is currently a director of The Children's Investment Fund Foundation (UK) and The Children's Investment Fund Management (UK) Limited.

ANDREW KNIGHT

Aged 67, he was appointed a non-executive Director in 1996 and is a member of the Audit, Nominations and Remuneration and Conflicts Committees. He is a director of News Corporation and Templeton Emerging Markets Investment Trust PLC. He is a former Editor of The Economist and served as Chief Executive of the Telegraph group, Chairman of News International and Deputy Chairman of Home Counties Newspapers Holdings plc until its acquisition by Eastern Counties Newspapers. He is a past Chairman of the Shipston Home Nursing and Jerwood charities, and founder of the SMA Trust to further research into spinal muscular atrophy.

JAMES LEIGH-PEMBERTON

Aged 50, Mr Leigh-Pemberton was appointed as a non-executive Director in 2004. He has worked at Credit Suisse First Boston since 1994, holding positions as Head of Equity Syndicate, Head of Equity Capital Markets and from 2001 to 2004, Head of European Investment Banking. He is currently Chairman of European Investment Banking. Mr Leigh-Pemberton began his career at S.G. Warburg & Co, where he worked for fifteen years.

MICHAEL MARKS CBE

Aged 65, he is the Chairman of NewSmith Capital Partners LLP, which he founded in 2003. He was formerly co-Head of the Global Equities business of Merrill Lynch, which he joined in 1995, and where he subsequently held positions as Chief Operating Officer of Merrill Lynch Europe, Middle East and Africa and was subsequently named Executive Chairman. He was also Executive Vice President of Merrill Lynch & Co., Inc. Mr Marks began his career at Smith Bros. in 1958, where he became a director in 1975 and Chief Executive of Smith New Court in 1987. He is currently a non-executive director of Old Mutual plc and was, until 2004, a non-executive director of London Stock Exchange plc. He was appointed as a non-executive Director of RIT Capital Partners plc in 2004.

COMMITTEE MEMBERSHIP

Audit Committee
Charles Bailey (Chairman)
Andrew Knight
James Leigh-Pemberton

Nominations Committee
Lord Rothschild (Chairman)
Charles Bailey
Andrew Knight
James Leigh-Pemberton

Remuneration and Conflicts Committee
Charles Bailey (Chairman)
Andrew Knight
James Leigh-Pemberton

Directors' Report

The Directors present their annual Report and Accounts for the Company, covering the year ended 31 March 2007.

STATUS OF COMPANY

The Company is registered as a public company and is incorporated in England and Wales. The Company conducts its affairs so as to qualify for approval as an investment trust for tax purposes, confirmation of which has been received from HM Revenue & Customs for the year ended 31 March 2006. Approval for the year ended 31 March 2006 is subject to no subsequent enquiry being made under the Corporation Tax Self Assessment legislation. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under Section 842 of the Taxes Act 1988. The Company is not a close company within the meaning of the Taxes Act 1988.

The Company's subsidiaries are engaged in investment activities and the activities of the Group are principally undertaken in the UK.

DIRECTORS

Biographies of the Directors holding office at the date of this report are shown on pages 13 and 14.

On 14 March 2007, Baron Lambert resigned as a Director and John Elkann was appointed as a Director.

RESULTS AND DIVIDENDS

After taxation, the Group made a capital profit of £141.5 million and a revenue loss of £36.9 million during the year ended 31 March 2007.

The Board recommends the payment of a final dividend of 3.1p per share in respect of the year ended 31 March 2007 (year ended 31 March 2006: 3.1p), payable on 25 July 2007 to shareholders on the register at 15 June 2007. This dividend will reduce the Company's distributable reserves by £4.8 million.

The movements on capital reserve and consolidated revenue reserve are shown in notes 22 and 23 on pages 64 and 65.

SHARE CAPITAL

Details of the authorised and issued share capital are shown in note 20 on page 63 of the accounts. During the year ended 31 March 2007, no ordinary shares were issued or repurchased. The existing authority for the repurchase of shares expires on 30 September 2007 and a replacement authority is to be proposed at the forthcoming annual general meeting, as explained in the Notice and Explanatory Notes on pages 79 and 82.

NET ASSET VALUE

The net asset value of one ordinary share at 31 March 2007, before deducting the proposed dividend of 3.1p per share, was 1,047.3p.

BUSINESS REVIEW

The Company invests with the object of achieving long-term capital growth.

The investment portfolio was valued at £1.85 billion at 31 March 2007. An analysis of these investments is contained in note 11 on pages 54 to 58.

The Company holds both listed and unlisted investments, mainly in the USA, Europe, the UK and the Far East.

The Chairman's Statement on pages 6 and 7 of this annual report contains a review of the Company's business in the year to 31 March 2007. Financial Highlights and Performance Information is set out on page 3, and the portfolio and currency exposure is analysed on pages 4 and 5. The principal risks are as set out at the end of this Directors' Report on pages 19 to 21. The Directors consider that the Key Performance Indicators

most relevant to the Company are the three indices as set out under 'Performance' on page 3, compared with the movement in the Company's net asset value per share, also as set out on that page.

At the present time, the portfolio meets the requirements to enable the shares of the Company to be included as an investment within an Individual Savings Account ("ISA").

MAJOR HOLDERS OF VOTING RIGHTS

As at 31 March 2007, the following notifications had been received from the holders of 3% or more of the voting rights conferred through the direct or indirect holding of the Company's ordinary shares of £1 each. Such notifications were made pursuant to the Disclosure Rules and Transparency Rules of the Financial Services Authority ("FSA").

Major holders of voting rights	No. of voting rights		% of voting rights	
	Direct	Indirect	Direct	Indirect
Five Arrows Limited*	913,115	5,844,720	0.58	3.74
Kelvin Hudson & Helen Green*	9,301,619	—	5.96	—
Lady Rothschild*	4,941,590	—	3.16	—
Legal & General Group plc	5,270,459	—	3.37	—
Lord Rothschild*	11,003,037	—	7.05	—
Prudential plc group of companies	5,257,109	—	3.37	—
Saffrey Champness Partnership*	—	11,964,484	—	7.66
S.J.F. Trustee Company Limited*	5,762,809	—	3.69	—

*Some or all of these holdings form part of Lord Rothschild's interests disclosed below under Directors' Interests.

As at 25 May 2007, the above table remained unchanged save for the interests of Legal & General Group plc which had increased the number of its voting rights held to 5,404,371 (3.46%) and that of the Prudential plc group of companies, which had reduced the number of its voting rights held to 5,215,098 (3.33%).

DIRECTORS' INTERESTS

The interests of the Directors at 31 March 2007 in the ordinary shares of the Company are shown below with comparatives as at 1 April 2006 or subsequent date of appointment where applicable (where different) shown in brackets.

Director	Ordinary shares of £1 each		% of Share capital
	Beneficial	Non-beneficial	
The Lord Rothschild	20,075,671 (20,108,741)	6,439,934 (6,708,324)	16.98 (17.17)
Charles Bailey	10,500	—	0.01
Mikael Breuer-Well	—	—	—
Duncan Budge	40,139	10,000	0.03
John Elkann	—	—	—
David Haysey	5,000	—	0.003
Christopher Hohn	—	—	—
Andrew Knight	—	—	—
James Leigh-Pemberton	—	—	—
Michael Marks	—	—	—
Nathaniel Rothschild	6,326,909	—	4.05
Michael Sofar	—	—	—

The above information is presented in compliance with the Listing Rules of the FSA, which require disclosure of directors' beneficial and non-beneficial share interests, as opposed to their control of voting rights as is the case for major holders under the FSA's

Disclosure and Transparency Rules, as explained above. Components of the interests of Lord Rothschild and Nathaniel Rothschild are held by family trusts. Accordingly, the names of the respective trustees are disclosed under Major Holders of Voting Rights, where any individual trust controls 3% or more of the Company's voting rights, whereas the directors themselves are disclosed under Directors' Interests.

Included in the total of 30,073,671 shares of the Company owned beneficially by Lord Rothschild are 73,184 shares (31 March 2006: 73,184) held by the Company's Pension and Life Assurance Scheme, in which Lord Rothschild has a beneficial interest.

The above disclosures include a total of 2,754,502 shares in which both Lord Rothschild and Nathaniel Rothschild are interested either as trustees or beneficiaries of family trusts.

Between the end of the year and the date of this Report, there were no changes in the Directors' interests.

Requests from the Chairman for permission to deal in the ordinary shares of the Company are considered by the Board of Directors. Requests from other Directors and employees of the Group are referred to the Remuneration and Conflicts Committee, except in the case of small volume transactions requested by those other than Directors and senior executives, which are considered by the Group's Compliance Officer.

Except as stated below, under "Management and Administration" (as regards Lord Rothschild, Michael Sofer and Nathaniel Rothschild), no Director has, or has had during the period under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries as defined in the Companies Act 1985 or in the terms laid down in the Listing Rules of the Financial Services Authority.

The Company maintained liability insurance for its Directors and Officers throughout the year.

MANAGEMENT AND ADMINISTRATION

Details of the current investment managers who operate segregated accounts are shown below. The investment strategy of these managers, with the exception of Prospect Investment Management, is to invest mainly in listed securities which are included under the "Quoted Investments" section of the portfolio. The funds managed by Prospect Investment Management include listed securities amounting to £63.8 million (these holdings were originally acquired as unquoted investments).

Investment Manager	Area of expertise	Funds under management 31 March 2007 £ million
Prospect Investment Management	Unquoted investments	89.9
Tongue Overseas Associates	US equities	57.6
Pindley Park	Small to medium sized US companies	56.8
Lansdowne Partners	European equities	55.6
Sofer Capital	Global equities	52.0
Medior Capital Management	European equities	45.0
Moran Wright Management	Japanese equities	42.2
Martin Currie	Asian equities	40.1
Cycladic Capital	European equities	38.9
Southeastern Asset Management	Global equities	34.4
Cedar Rock Capital	Global equities	33.0
Baker Steel	Equities (gold and precious metals)	26.8
Horizon Investment Management	Asian equities	22.9
Squared	Technology	20.4
Indian Creek	US equities	17.3
Guskin Shaff	Canadian equities	16.7
Summit Water	Equities (water industry focus)	14.1